

**BELLAIRE BUILDING AUTHORITY**  
**ANTRIM COUNTY**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED FEBRUARY 29, 2004**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Bellaire Building Authority		County Antrim
Audit Date 2/29/04	Opinion Date 3/23/04	Date Accountant Report Submitted to State: 5/2/04		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as revised by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

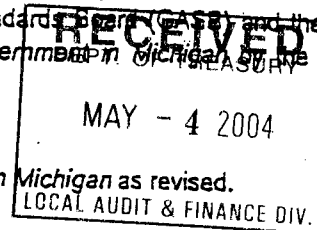
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Keskine, Cook, Miller, Smith & Alexander, LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature Rachel Frisch			



**BELLAIRE BUILDING AUTHORITY OFFICERS**

Chairman	Russell Fillmore
Secretary	Ken Stead
Treasurer	Cathy Odom
Member	Elaine Dawson

# Village of Bellaire

P.O. Box 557

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Bellaire, Michigan 49615

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## **BELLAIRE BUILDING AUTHORITY MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED FEBRUARY 29, 2004**

This section of the annual financial report presents our discussion and analysis of the Bellaire Building Authority, a component unit of the Village of Bellaire, financial performance during the fiscal year ended February 29, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Our financial status remained stable over the last year. Assets at February 29, 2004 totaled approximately \$184,000. The capital projects fund of the Authority was inactive during the year, as no new capital projects were begun. The debt service fund made debt payments in accordance with the debt maturities.

Overall revenues were \$8,774 in the government-wide financial statements, less than the prior year total of \$23,187, as the lease payment received in the prior year included additional initial accrued interest amounts on the bond. The entire revenue balance, as in the prior year, was received from the Village of Bellaire in the form of rent to cover the expense of the bond used to repair the dam. Overall expenses were \$9,032 in the government-wide financial statements, reflecting bond interest payments and other small fees.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts, management discussion & analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Bellaire Building Authority.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The Authority does not engage in business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons. Budgetary comparisons are not required for the Authority.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities and this is one method to measure the Authority's financial health or position.

Over time increases/decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Bellaire Building Authority funds. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Bellaire Building Authority has the following types of funds:

**Governmental Funds:** All of the Bellaire Building Authority activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Bellaire Building Authority government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

## FINANCIAL ANALYSIS OF THE BELLAIRE BUILDING AUTHORITY AS A WHOLE

**Net Assets:** The Bellaire Building Authority's combined net assets for year ending February 29, 2004 totaled \$5,502.

**Governmental Activities:** The net assets for governmental activities remained constant during the year.

## FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

**Bellaire Building Authority Capital Projects:** This fund is used to record the project of the restoration of Craven Dam. The project was completed during the previous fiscal year.

**Bellaire Building Authority Debt Service:** This fund collected lease revenue from the general fund and satisfied the debt service requirements of the Craven Dam Bond.

## CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

**Capital Assets:** The Bellaire Building Authority has elected not to record infrastructure assets retroactively. Consequently, the Authority has no capital assets as of February 29, 2004.

### Long Term Debt:

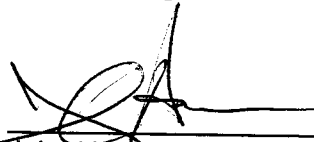
Bellaire Building Authority Bond: The bond payments made this fiscal year for the restoration of Craven Dam totaled \$17,956 (\$10,000 principal and \$7,956 interest).

## KNOWN FACTORS AFFECTING FUTURE OPERATIONS

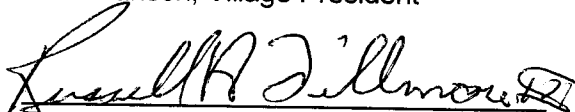
With the completion of the repair of the dam, the Authority does not currently have any plans for the near future.

## CONTACTING AUTHORITY MANAGEMENT

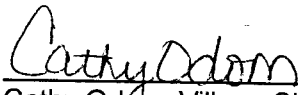
This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report please contact either Ms. Cathy Odom, Village of Bellaire Clerk, Mr. John Hanson, Village of Bellaire President, or Mr. Russell Fillmore, Bellaire Building Authority Chairman at 202 N. Bridge St., P.O. Box 557, Bellaire, MI 49615 or by calling 231-533-8213 during the hours of 8:30 AM to 4:00 PM.



John Hanson, Village President



Russell Fillmore, Bellaire Building Authority Chairman

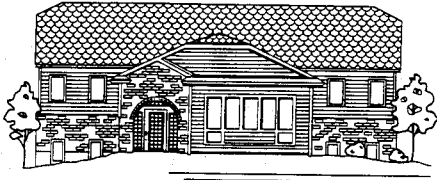


Cathy Odom, Village Clerk

**BELLAIRE BUILDING AUTHORITY**

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Keskin, Cook, Miller, Smith & Alexander LLP  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

### INDEPENDENT AUDITOR'S REPORT

March 23, 2004

To the Chairman and Members of the  
Council of the Bellaire Building Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bellaire Building Authority, Antrim County, Michigan as of and for the year ended February 29, 2004, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bellaire Building Authority, Antrim County, Michigan as of February 29, 2004, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", as of February 29, 2004.



The management's discussion and analysis, which preceeds the Independent Auditor's Report is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*K. K. Cook Miller Smith: alex Q UP*

Keskine, Cook, Miller, Smith & Alexander, LLP  
Certified Public Accountants  
Gaylord, Michigan

**BELLAIRE BUILDING AUTHORITY  
STATEMENT OF NET ASSETS  
FEBRUARY 29, 2004**

	<b>GOVERNMENTAL ACTIVITIES</b>
<hr/>	
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash	\$ 1,010
Interest Receivable	7,700
Current Portion of Lease Receivable (Due from Primary Government)	10,000
Total Current Assets	<hr/> 18,710
<b>Long-Term Assets:</b>	
Lease Receivable (Due from Primary Government)	165,000
Total Assets	<hr/> 183,710 <hr/>
 <b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accrued Interest Payable	3,208
Current Portion of Long-Term Debt	10,000
Total Current Liabilities	<hr/> 13,208
<b>Long-Term Liabilities:</b>	
Bond Payable	165,000
Total Liabilities	<hr/> 178,208 <hr/>
 <b>NET ASSETS</b>	
Invested in Capital Assets, net of Related Debt	(175,000)
Net Assets, Restricted	180,502
Total Net Assets	<hr/> \$ 5,502 <hr/> <hr/>

See accompanying notes to financial statements.

**BELLAIRE BUILDING AUTHORITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED FEBRUARY 29, 2004**

	<u>P R O G R A M   R E V E N U E S</u>				<u>NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Craven and Richardi Dam Projects	\$ (1,076)	\$ -	-	1,050	(26)
Interest on Long-Term Debt	(7,956)	-	-	-	(7,956)
Total Governmental Activities	(9,032)	-	-	1,050	(7,982)
<b>GENERAL REVENUES</b>					
Investment Earnings					7,712
<b>CHANGE IN NET ASSETS</b>					(270)
<b>NET ASSETS - MARCH 1</b>					5,772
<b>NET ASSETS - FEBRUARY 29</b>					\$ 5,502

See accompanying notes to financial statements.

**BELLAIRE BUILDING AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUND  
FEBRUARY 29, 2004**

**ASSETS**

Cash	\$ 1,010
Lease Receivable (Due from Primary Government)	175,000
Interest Receivable (Due from Primary Government)	7,700
	<hr/>
Total Assets	183,710
	<hr/> <hr/>

**LIABILITIES AND FUND EQUITY**

**Liabilities:**

Deferred Lease Payments	175,000
Deferred Interest Payments	7,700
	<hr/>

Total Liabilities	182,700
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**Fund Balance:**

Fund Balance - Reserved for Bond Retirement	1,010
	<hr/>

Total Liabilities and Fund Equity	\$ 183,710
	<hr/> <hr/>

See accompanying notes to financial statements.

**BELLAIRE BUILDING AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FEBRUARY 29, 2004**

<b>TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 5)</b>	<b>\$ 1,010</b>
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Amounts reported for governmental activities in the Statement of Net Assets (page 3) are different because:

Revenues in the fund financial statements are not recorded until they are measurable and available. Lease and interest income are recorded as a revenue in the government-wide statements but as deferred income in the fund statements.	175,000
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Long-term liabilities, including bonds payable and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	(170,508)
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<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 3)</b>	<b>\$ 5,502</b>
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See accompanying notes to financial statements.

**BELLAIRE BUILDING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**YEAR ENDED FEBRUARY 29, 2004**

**REVENUES**

Lease Revenue - Village of Bellaire	\$ 19,190
Interest Income	12
Total Revenues	<u>19,202</u>

**EXPENDITURES**

Bond Principal Payment	10,000
Bond Interest Payment	8,140
Miscellaneous	1,076
Total Expenditures	<u>19,216</u>

Excess (Deficiency) of Revenues over Expenditures	<u>(14)</u>
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Fund Balance - March 1	<u>1,024</u>
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Fund Balance - February 29	<u><u>\$ 1,010</u></u>
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See accompanying notes to financial statements.

**BELLAIRE BUILDING AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF  
ACTIVITIES  
YEAR ENDED FEBRUARY 29, 2004**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS - PAGE 7</b>	\$	(14)
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Amounts reported for governmental activities in the Statement of  
Activities (page 4) are different because:

Revenues in the fund financial statements are not recorded until they are measurable and available. Lease and interest income are recorded as a revenue in the government-wide statements but as deferred income in the fund statements.		(18,140)
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Long-term liabilities, including bonds payable and accrued interest are not due and payable in the current period and therefore are not reported in the funds.		17,884
		17,884

<b>CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 3)</b>	\$	(270)
		(270)

See accompanying notes to financial statements.

**BELLAIRE BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE A: ENTITY**

In June 2001, the Bellaire Building Authority was created under the provisions of Public Act 31 of 1948. The purpose of the Authority is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites for the use of the Village of Bellaire. Although it is legally separate from the Village, the Building Authority is reported as if it were a part of the primary government because its sole purpose is to serve the Village of Bellaire.

The financial activity of the Building Authority is reported in a special revenue and debt service fund within the Village's financial statements. The Building Authority and the Village of Bellaire audited financial statements are located at the Village offices.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the Bellaire Building Authority are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures of the Authority's financial activities for the fiscal year ended February 29, 2004.

The accounting policies of the Bellaire Building Authority conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On March 1, 2002, the Bellaire Building Authority adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Authority's financial statements has shifted from a fund focus to a government-wide focus.



**BELLAIRE BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT  
PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole. Individual fund information is not displayed but the statements distinguish governmental activities, generally supported by taxes and Authority general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Authority does not engage in business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for the Authority's governmental funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**BELLAIRE BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Authority reports the following major governmental funds:

*Debt Service Fund* - The debt service fund is used to record the funding and payment of the principal and interest on debt reported in the general long-term debt account group.

The Authority also maintains the following fund, which was inactive during the fiscal year:

*Capital Projects Fund* - This fund is used to account for specific governmental revenues related to major capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. The Bellaire Building Authority has one fund in this category that records the fiscal activity for the construction and repair project for the Craven Dam and the Richardi Dam.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**Government-Wide Financial Statements**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**BELLAIRE BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

**Governmental Fund Financial Statements**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

**BUDGETS**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The Bellaire Building Authority was not required to adopt a budget for the year ended February 29, 2004 for either of its funds.

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**BELLAIRE BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS AND DEPRECIATION**

The Authority's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Authority maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 - 50
Improvements, other than buildings	2 - 50
Mobile equipment	3 - 30
Furniture, machinery, and equipment	3 - 30

The Authority has elected not to record infrastructure assets acquired prior to the adoption of GASB 34, which is acceptable for governments of its size. The Authority's capital assets consist only of infrastructure assets. Consequently, the Authority records no capital assets in these financial statements.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**BELLAIRE BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE C: CASH AND INVESTMENTS**

All cash deposits are maintained in financial institutions in the Bellaire, Michigan area. The Authority's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Authority at fiscal year-end. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- Category 3 - Uncollateralized.

	BANK BALANCE	1	2	3	BOOK BALANCE
Building Authority	<u>\$ 1,010</u>	<u>\$ 1,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,010</u>

**NOTE D: LEASE AND INTEREST RECEIVABLE (DUE FROM PRIMARY GOVERNMENT)**

During the fiscal year ended February 29, 2004, the Authority entered into a leasing agreement with the Village of Bellaire (the primary government) whereby the Village will make annual lease payments to the Authority in the amount of the debt service requirements for the Craven Dam bonds described in Note E.

In the fund financial statements, which uses the modified accrual basis of accounting, the lease receivable is recorded as an asset with a balance of \$175,000 at the fiscal year-end, offset by a deferred lease payment balance of the same amount.

The government-wide financial statements, prepared on the full-accrual basis, have the full amount of the lease receivable recorded as revenue in the year of the lease's inception.

A schedule of the lease receivable to maturity, which is the same as the bond debt service schedule, is included at Note E.

In both the government-wide and fund financial statements, interest receivable is accrued at \$7,700.

**BELLAIRE BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE E: LONG-TERM DEBT**

The following is a summary of bond transactions of the Authority for the year ended February 29, 2004:

	<b>GENERAL OBLIGATION</b>
Bonds Payable March 1, 2003	\$ 185,000
Additions	-
Retirements	<u>10,000</u>
 Bonds Payable February 29, 2004	 <u>\$ 175,000</u>

Long-term debt as of February 29, 2004, consists of the following:

***LIMITED FULL FAITH AND CREDIT GENERAL OBLIGATION CONTRACT  
OF LEASE***

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>
6/20/01	\$190,000	8.0%	6/20/04	10,000
			6/20/05	10,000
			6/20/06	10,000
			6/20/07	10,000
			6/20/08	10,000
			6/20/09	10,000
			6/20/10	15,000
			6/20/11	15,000
			6/20/12	15,000
			6/20/13	15,000
			6/20/14	15,000
			6/20/15	20,000
			6/20/16	<u>20,000</u>
				<u>\$ 175,000</u>

**Purpose of the Issue:**

Defraying part of the cost of major repairs to Craven Dam. The debt was issued to the Bellaire Building Authority and the Village of Bellaire.

**BELLAIRE BUILDING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2004**

**NOTE F: RESERVED/RESTRICTED FUND BALANCE**

The Building Authority debt service fund has reserved fund balance for the Craven Dam Project G.O. Bonds in the fund financial statements.

\$ 1,010

The Bellaire Building Authority has restricted net assets in the government-wide financial statements for the Craven Dam Project G.O. Bonds.

\$ 172,802

**NOTE G: INSURANCE COVERAGES**

Bonding and insurance is provided through the Village of Bellaire.

**NOTE H: CONTINGENCIES**

**CRAVEN DAM PROJECT GRANT**

In the fiscal year ended February 28, 2002, the Bellaire Building Authority, through the Village of Bellaire, was awarded \$212,566 in grant monies from the Federal Emergency Management Agency (FEMA) under its Hazard Mitigation Grant Program, declaration no. FEMA-1181-DR-MI. The monies were spent on safety upgrades for Craven and Richardi Dams.

The FEMA grant monies are subject to audit by the grantor. Upon audit, some expenditures may be disallowed and as a result, those amounts may be refundable. Such refunds, if any, are generally payable from the Village of Bellaire's unrestricted fund balance. The Village feels that any potential disallowances, if any, are immaterial.

**NOTE I: BUDGETARY FINANCIAL STATEMENTS**

GASB Statement No. 34 requires that budgetary comparison financial statements are prepared as required supplementary information for the general fund and all major special revenue funds. The Authority does not maintain such funds; accordingly, budgetary financial statements are not presented.